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FISCAL IMPACT STATEMENT

LS 6959

BILL NUMBER: HB 1272

NOTE PREPARED: Jan 4, 2004

BILL AMENDED:

SUBJECT: Sexually Explicit Movie Tax.

FIRST AUTHOR: Rep. Lytle

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill imposes a 20% excise tax on a transaction involving the sale or rental of a sexually explicit film or video.

Effective Date: July 1, 2004.

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expense in developing forms and procedures related to the Sexually Explicit Movie Tax, created in this bill. Any additional expenses could presumably be absorbed given the DOR's existing budget and resources.

The bill specifies that the tax must be imposed, paid, and collected in the same manner as the state's Sales Tax. The bill also gives the DOR discretion to determine whether the excise tax remittances are reported on a separate form or included with Sales Tax returns.

Explanation of State Revenues: Based on adjusted national estimates, a 20% excise tax on sexually explicit movies rented or sold in Indiana would generate between \$2.5 M and \$7.5 M in FY 2005 and between \$2.7M and \$8.4 M in FY 2006. Due to the timing of the remittance of the proposed tax, receipts from only 11 of the 12 months that the tax is in effect during FY 2005 will be collected. Revenue is to be deposited in the state General Fund.

Background Information: It is difficult to estimate the volume of Indiana sales and rentals of this class of films and videos. In 2001, the U.S. market for these films and videos (including pay-per-view movies) was estimated to be between \$628 M and \$1,928 M. Assuming that Indiana residents purchase or rent these films

in proportion to Indiana's share of U.S. disposable income, it was estimated that Indiana residents spent between \$12.4 M and \$38.1 M on these films in 2001. It was further assumed that Indiana expenditures on these films have, and will continue, to increase in an amount equivalent to growth in the CPI.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Ackman, Dan. "How Big is Porn?" Forbes.com. (2001) Retrieved 29 12 2003
<http://www.forbes.com/2001/05/25/0524porn_print.html>.

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